

REVENUE AND EXPENSE ALLOCATION PRACTICES

In thousands of dollars, unless otherwise noted

Case Western Reserve University (the “University”) operates under a decentralized structure with the philosophy that each management center is responsible for the planning and implementation of academic programs, revenue development and expense management. This concept is implemented with all revenue, except Undergraduate tuition revenue, and direct expense flowing to their respective management center. Because not all revenue or expense is directly developed by a school, allocation rules assign certain revenue and indirect expense for support services. The operating principle guiding these rules is that they fairly assign revenue or expense as a proxy for actual direct generation of revenue or occurrence of expense.

REVENUE ASSIGNED

Tuition

A significant portion of Graduate and Professional Tuition is assigned to the schools in which the student is registered as a degree student. Credit hours taken in a school outside a student’s home school are assigned to the school teaching the credit hours for purposes of partial tuition revenue allocation.

The rate used to calculate the Tuition assignment will be \$927 per credit hour in 2026, increasing at the same rate as the increase in Graduate Tuition revenue in subsequent years. Any program exemptions from this model must be approved through a formal process administered by the University Budget Committee.

Undergraduate Tuition is assigned to those schools that teach undergraduates, primarily the College of Arts and Sciences, the Case School of Engineering, Weatherhead School of Management and the Frances Payne Bolton School of Nursing. SAGES tuition is distributed to the units teaching those courses. Tuition revenue, net of unfunded financial aid and Undergraduate Strategic Reserve, is distributed among the schools as follows: 85% is assigned based upon the proportion of undergraduate student credit hours taught by each school in 2023 and 2024; the remaining 15% is assigned based upon the proportion of baccalaureate majors of the graduating students in 2023 and 2024.

Undergraduate tuition assignment is based on:
 6,320 students for the academic year
 29.3 credit hours/student
 1,550 first-year students

Undergraduate Tuition Revenue	\$387,678
Less: Strategic Reserve	(3,827)*
Less: Unfunded Student Aid	(200,976)*
UG Tuition Distributed to Schools	\$182,875
Regular Credit Hour Distribution	\$146,856
SAGES Credit Hour Distribution	8,588
Majors Granted Distribution	27,431
Total UG Tuition Distribution	\$182,875

**100% assigned to UGEN*

Undergraduate tuition revenue is distributed using the average credit hours taught by the management center in 2023 and 2024 to calculate the percentage distribution. The majors of the graduating students is an average of 2023 and 2024.

Undergraduate Tuition Distribution and Total Revenue:

In thousands of dollars

	Regular Credit Hour Distribution	SAGES Credit Hour Distribution	Majors Granted Distribution	Total Tuition Distribution
CAS	\$ 81,212	\$ 4,037	\$ 10,768	\$ 96,017
CSE	34,265	165	9,693	44,123
WSOM	16,003	432	3,381	19,816
MSASS	247	-	-	247
LAW	4	136	-	140
DENT	-	77	-	-
NURS	7,204	230	1,680	9,114
CSOM	7,921	178	1,909	10,008
UGEN	-	3,410	-	3,410
TOTAL	\$ 146,856	\$ 8,588	\$ 27,431	\$ 182,875
Unfunded Aid				200,976
Strategic Reserve				3,827
TOTAL UNDERGRADUATE TUITION REVENUE				\$ 387,678

Endowment

Endowment funds are classified as belonging to a school or University General, and largely pooled for investment purposes. The amount or payout rate made available from the pool to operations each year is approved by the Trustees and considers not only current operational needs, but also long-term interests of intergenerational equity for future endowment beneficiaries. For 2026, the payout rate for the current year spending pool allocation is 4.6%. In addition, the Trustees approved a distribution of 0.8% (\$13.2 million) for administrative expense to administer the endowment. Endowment revenue is allocated based on the twenty quarter average market value of funds as of June 30, 2024. Revenue from new gifts and/or additions to existing gifts will be allocated one year after receipt. The revenue from a small number of endowment funds jointly shared by the schools teaching undergraduates is assigned based upon undergraduate credit hours taught. Funds Held by Others (FHBO) and Un-pooled funds are managed outside the University's pooled investment and are not considered in the spending allocation. Income generated by FHBO and Un-pooled funds is sent to the University, then distributed to the appropriate management center(s).

In thousands of dollars

	Estimated Unused Income Beginning of Year	Current Year Allocation	FHBO	Un-pooled	Total Available	2026 Budget*	Estimated Unused Income End of Year
CAS	\$8,550	\$14,266	\$2,276	\$ -	\$25,092	\$17,875	\$7,217
CSE	7,728	10,666	622	-	19,016	10,103	8,913
WSOM	2,587	3,975	188	-	6,750	6,623	127
MSASS	627	2,476	-	-	3,103	2,635	468
LAW	(281)	4,990	662	252	5,623	6,034	(411)
DENT	1,322	884	677	-	2,883	1,682	1,201
NURS	1,865	4,506	-	-	6,371	4,902	1,469
CSOM	33,941	20,788	8,505	-	63,234	31,255	31,979
UGEN	20,761	16,387	-	-	37,148	21,319	15,829
TOTAL	\$77,100	\$78,938	\$12,930	\$252	\$169,220	\$102,428	\$66,792
Supplemental Distribution - Administrative support					13,243		
TOTAL ENDOWMENT REVENUE					\$ 115,671		

* Includes temporarily restricted funds functioning as endowments and board-designated funds for LAW.

Other Revenue

All other revenue is developed directly by the schools' efforts and the schools receive full credit for sums received. Revenue generated for the University as a whole is attributed to University General. Revenue shown as restricted is only to be used by a particular school or for a particular purpose. Restricted revenue (restricted endowment, research and training grants, and restricted gifts) supports "funded" expense. In these instances, revenue is recognized as the matching expense is incurred. All other revenue is unrestricted and flows directly to the management center that generated the revenue. This revenue is recorded when received and supports a school's unrestricted and "indirect" expense.

INDIRECT EXPENSE ASSIGNED

Each school incurs operating expense that appears in the budget as “Direct Expense.” These expenditures include faculty, staff and student salaries, fringe benefits, graduate and professional student aid, and non-salary expense. In addition, each school is allocated a share of the expense to provide central and support services. These expenditures are categorized as Library, Student Services, Plant Services, Information Technology Services and University Services and are recorded in each budget summary as indirect expense.

Indirect Expense Simplification

Beginning in 2019, certain changes were implemented in Indirect Expense assigned. The change reduced the number of cost drivers to five and retained the current Library allocation and the current Utilities Non-salary cost allocation. In summary, Indirect Expense is allocated using the following cost drivers:

Cost Driver	Indirect Expense Proportion
Current Utilities Non-salary Allocation	Historical Calculation
Current Library Allocation	Historical Calculation
Undergraduate FTE	9.8% of Remaining Indirect Expense
Student Head Count	14.7% of Remaining Indirect Expense
Faculty/Staff Count	2.9% of Remaining Indirect Expense
Square Footage	19.4% of Remaining Indirect Expense
Direct Expense Percentage	31.7% of Remaining Indirect Expense

The data used to calculate the expense allocation represent a sub-set of existing cost drivers historically used to calculate the Indirect Expense allocation. The final Indirect Expense allocation, as shown below, is not reported in the Operating Statement as a single line item for each management center. For comparability with prior years, we have retained the former Indirect Expense allocation, as described within this appendix. Any reconciling differences between the historical Indirect Expense allocation and the below Indirect Expense allocation are reflected in the University Services cost pool on the Operating Statement.

Indirect Expense Allocation

In thousands of dollars

	Under-graduate	Student	Faculty/Staff	Square	Direct Expense	Utilities	Library	UGEN	Total
	FTE	Headcount	Count	Footage	Percentage	Non-salary	Allocation	Cost Cut	Allocation
CAS	\$ 10,547	\$ 9,947	\$ 951	\$ 6,890	\$ 8,217	\$ 2,265	\$ 3,982	\$ (593)	\$ 42,206
CSE	4,907	5,793	613	7,218	8,158	3,413	2,351	(450)	32,003
WSOM	2,204	3,348	306	1,706	4,049	559	1,329	(187)	13,314
MSASS	26	796	333	764	2,918	219	558	(78)	5,536
LAW	17	1,633	170	1,461	3,486	442	2,186	(130)	9,265
DENT	-	805	288	4,821	2,442	190	454	(125)	8,875
NURS	1,015	1,891	394	2,628	2,737	419	898	(138)	9,844
CSOM	1,114	5,716	2,849	21,146	33,602	10,685	3,676	(1,092)	77,696
UGEN	514	420	-	-	-	-	1,550	2,793	5,277
TOTAL	\$ 20,344	\$ 30,349	\$ 5,904	\$ 46,634	\$ 65,609	\$ 18,192	\$ 16,984	\$ -	\$ 204,016
HEC Expense									9,281
Salary Pool Retained									9,109
Revenue Offsets									42,957
TOTAL INDIRECT EXPENSE ALLOCATION									\$ 265,363

Library

Library includes the operation of the University Library, Health Science Library, Law Library, and the MSASS Library. 75% of the University Library expense is distributed to the core colleges – CAS, CSE, WSOM and a small portion to NURS to recognize support of the BSN program. The remaining 25% is distributed to the other schools. 75% of the Health Science Library expense is distributed to CSOM, DENT, and NURS, with 25% assigned to the other schools. MSASS supports 75% of its Library with the balance distributed to the other schools. LAW pays 100% of its own Library's expense; however, its share of the other Library expense is calculated without the inclusion of estimated materials expense in those Libraries because LAW covers the full expense for its own extensive materials collection. The allocation uses un-weighted student, faculty, and staff counts.

Library Expense Assigned, by Management Center:

In thousands of dollars

		University Library		Health Science Library		MSASS Library		Law Library		Total Library Allocation
CAS	\$	3,535	\$	406	\$	41	\$	-	\$	3,982
CSE		2,088		239		24		-		2,351
WSOM		1,179		136		14		-		1,329
MSASS		186		46		326		-		558
LAW		142		73		7		1,964		2,186 *
DENT		181		268		5		-		454
NURS		502		387		9		-		898
CSOM		1,475		2,164		37		-		3,676
UGEN		-		-		86		-		86
TOTAL	\$	9,288	\$	3,719	\$	549	\$	1,964	\$	15,520
Endowment Support										1,777
Unallocated Library (100% to UGEN)										(313)
TOTAL LIBRARY	\$	9,288	\$	3,719	\$	549	\$	1,964	\$	16,984

* The Law school contribution to the other Libraries was calculated separately using only the non-materials portion of those Library budgets.

Student Services

Student Services include the expense associated with the following operations: Enrollment Management, Undergraduate Studies, Financial Aid, Registrar, Student Affairs, Career Planning, Educational Support Services, Thwing Center, International Students, Education Abroad, Minority Programs, Physical Education and Athletics, UCITE, SOURCE and the Dean of Graduate Studies. The expense associated with the SAGES program (net of the tuition generated by non-school based lecturers) is included in this category and is allocated on the basis of SAGES credit hours taught. The student numbers used in the assignment are an average of the 2023 and 2024 fall semester enrollment. The Student Services expense for each managementcenter is determined by student and faculty/staff head count.

Most Student Services expense is assigned on the basis of the students benefiting from the program or service. Several programs are believed to have an overall University purpose and are assigned using the two-year average direct expense methodology. The student numbers used in the assignment are an average of the 2023 and 2024 fall semester enrollment. The Student Services expense for each management center is determined by student and faculty/staff head count.

Student Numbers used for the 2026 Budget, based on 2023 and 2024 fall semester average enrollment:

In thousands of dollars

	Undergraduate FTE *	Undergraduate Headcount *	Graduate Full-Time	Graduate Part-Time	Professional Full-Time	Professional Part-Time	Total Head Count
CAS	3,243	3,296	461	32	-	-	3,789
CSE	1,509	1,534	627	134	7	1	2,303
WSOM	678	689	38	6	390	231	1,354
MSASS	9	9	30	7	358	53	457
LAW	5	5	-	-	571	46	622
DENT	-	-	-	-	306	1	307
NURS	312	317	32	3	216	153	721
CSOM	342	348	745	192	1,019	-	2,304
UGEN	158	160	-	-	-	-	160
TOTAL	6,256	6,358	1,933	374	2,867	485	12,017

**Percentage distribution for undergraduate full-time equivalency (FTE) and headcount uses two years' of credit hour data and is equal to the 2026 percentage distribution for net undergraduate tuition in schools.*

Graduate and Professional numbers are based on the Fall Semester enrollment statistics.

2026 Student Services Expense Assigned, by Allocation Methodology:

	Undergraduate FTE	Student Head Count	Graduate Student Head Count	Graduate/ Professional Head Count	University Services	SAGES	Faculty/ Staff Count	Weighted Average Student Headcount	Total
CAS	\$8,587	\$1,052	\$311	\$75	\$47	\$(1,204)	\$85	\$643	\$9,596
CSE	3,935	612	480	102	47	(70)	55	353	5,514
WSOM	1,779	354	27	89	23	(183)	27	194	2,310
MSASS	11	84	23	45	17	-	30	36	246
LAW	13	156	-	94	20	(57)	15	74	315
DENT	-	72	-	46	14	-	26	38	196
NURS	811	200	21	61	16	(98)	35	106	1,152
CSOM	795	604	591	277	194	(76)	253	229	2,867
UGEN	443	44	-	-	-	(1,956)	-	28	(1,441)
TOTAL	\$16,374	\$3,178	\$1,453	\$789	\$378	\$(3,644)	\$526	\$1,701	\$20,755
Unallocated Student Services (100% to UGEN)*									11,041
TOTAL STUDENT SERVICES									\$31,796

**Includes 100% of the UGEN Strategic Savings Plan.*

Note: Graduate and Professional numbers are based on the Fall Semester enrollment statistics.

Plant Services

Plant Services include the expense for utilities (electricity, steam/gas, water/sewer, chilled water, and other services) and plant operations (custodial, building maintenance, security, and environmental health and safety). Utilities expense is assigned based on a weighted utilities rate. The rate is adjusted for the budget year to account for estimated changes in utility rates. An adjusted cost per square foot for utilities is calculated and multiplied by the gross square footage in each building.

Non-utility expense is assigned based upon the average remaining operating cost for all academic buildings in the University. The average cost per square foot is multiplied by the number of gross square feet assigned to each school or function. Utility and non-utility expense for parts of buildings used for indirect or support services (e.g. libraries, student services, or University administrative services), are first allocated to the support service and then reallocated through the appropriate basis.

Plant Services costs are distributed using ten separate allocation methodologies:

Category	Allocation Methodology
Direct Plant	Utilities and Space Charges
Administrative Space	University Service (Two-Year Average Direct Expense)
University Library	Total University Library Allocation
Health Science Library	Total Health Science Library Allocation
Student Services	Student Service Allocation Excluding Physical Education and SAGES Allocation
University Center	Total Headcount
Athletic Space	Total Physical Education Space Allocation
Shared Classroom	Undergraduate FTE Ratio
SAGES	Two-Year Average SAGES Credit Hours Taught
Waste Removal	Fixed Amount

Plant Services Allocation:

In thousands of dollars

	Square Footage	% of Total	Total Direct Plant	Administrative Space	University Library	Health Science Library
CAS	362,583	17.1%	\$6,817	\$1,384	\$716	\$85
CSE	379,853	17.9%	8,222	1,374	389	46
WSOM	89,766	4.2%	1,668	682	287	34
MSASS	44,054	2.1%	780	491	47	13
LAW	76,912	3.6%	1,423	587	28	7
DENT	131,335	6.2%	2,896	411	51	72
NURS	62,199	2.9%	1,835	461	105	83
CSOM	972,726	45.9%	24,729	5,659	301	427
UGEN	-	0.0%	-	-	-	-
TOTAL	2,119,428	100.0%	\$48,370	\$11,049	\$1,924	\$767

In thousands of dollars

	Student Services	Athletic Space	Shared Classroom	SAGES Allocation	Waste Removal (Fixed)	Total Plant Allocation
CAS	\$2,596	\$1,869	\$399	\$-	\$46	\$13,912
CSE	1,361	940	186	-	46	12,564
WSOM	591	461	83	-	-	3,806
MSASS	50	67	1	-	-	1,449
LAW	79	95	1	-	-	2,220
DENT	39	61	-	-	-	3,530
NURS	291	248	38	-	-	3,061
CSOM	672	633	42	-	373	32,836
UGEN	119	84	19	-	(465)	(243)
TOTAL	\$5,798	\$4,458	\$769	\$-	-	\$73,135
Unallocated Plant (100% to UGEN)*						6,297
TOTAL PLANT						\$79,432

* Includes 100% of the UGEN Strategic Savings Plan.

The Plant Services expense for each school or area is determined by each building's utilities rate and square footage. Utility expense is assigned based on a weighted utilities rate. The estimated annual expense is assigned based on square footage. The cost for Plant Services other than utilities is \$13.318 per gross square foot. This expense is assigned based upon square footage.

Information Technology Services (ITS)

Information Technology Services include the expense associated with establishing, maintaining, and providing services through the campus network, central information processing, research and academic computing, as well as the operations of the ITS division and the ERP Finance office. ITS expense is separated into four cost pools, each with its own distribution formula. The first pool, Core Technology, covers core network and infrastructure equipment, wiring and maintenance. It includes the debt service related to the deployment of this technology and is distributed on a square footage allocation, including a school's share of indirect space such as Library and Student Services space.

The Instructional component of the ITS budget is allocated using the two-year average student count. It includes support for academic technologies including Blackboard and Courseware lecture capture, the Student Information System, online learning programs and MOOCs, Active Learning Faculty Fellows, instructional design and other curriculum support. This component also includes the design, upgrade and operation of Technology Enhanced Classrooms and Active Learning Spaces, as well as the related debt service.

The expense associated with Core Administrative systems includes providing enterprise applications such as the HCM system, ERP Financial systems, Web Content Management, Identity Management and the software center. This component is distributed using the University Services distribution (a percentage of direct expense) and also includes related debt service on ERP system upgrades.

The remaining cost pool, referred to as Infrastructure, covers basic technology services including security, internet, email, servers, storage, voice and video communications, Help Desk and other network services. These services also include the support of research computing systems such as the High Performance Computing Cluster and the Secured Research Environment, as well as the related debt service. This expense is distributed using a faculty/staff/student count and utilizes the same counts used for the Library distribution.

Information Technology Costs Assigned, by cost pool:

In thousands of dollars

	Core Technology	Instructional	Administrative	Infrastructure	Information Services
CAS	\$515	\$1,744	\$740	\$4,883	\$7,882
CSE	470	1,047	734	2,986	5,237
WSOM	146	543	364	1,530	2,583
MSASS	65	132	263	564	1,024
LAW	99	276	314	803	1,492
DENT	132	138	276	1,372	1,918
NURS	85	175	251	1,233	1,744
CSOM	1,089	633	3,146	4,430	9,298
UGEN	1	51	-	214	266
TOTAL	\$2,675	\$5,259	\$5,905	\$18,712	\$32,551
UGEN Strategic Savings Plan (100% to UGEN)					2,024
TOTAL INFORMATION TECHNOLOGY SERVICES					\$34,575

University Services

University Services include the general administrative expense associated with the following operations: Office of the President, Office of the Provost, International Affairs, Division of Finance, Office of Administration, Development and University Relations, Planning and Institutional Research, General Counsel, Technology Transfer and Research Administration and the Office of Inclusion, Diversity and Equal Opportunity. In addition, insurance expense, auditing, and other expense general to the operations of the University and not related specifically to programs of a particular school or function are charged in University Services to be allocated using the percentage of direct expense methodology. A two-year average, using the second and third years preceding the budget year, is used in the calculation; e.g. for Budget 2026, the average direct expense for 2023 and 2024. It should be noted that for this calculation, R&T expenditures based in the Cleveland Clinic Lerner College of Medicine (CCLCM), tuition expenditures associated with the CCLCM and expenditures related to CSOM off-campus locations have been deducted from the CSOM expense base. Further, the cost of Dental kits purchased and re-sold to students has been deducted from the DENT expense base. Lastly, third party servicing expense for CSE and MSASS distance learning programs have been deducted from the respective expense base.

Certain University Services expense is not allocated to the schools because there are revenue streams that support the expense. This includes the portion of Development, University Relations and other areas expense covered by the administrative support distribution from the endowment.

University Services expense is allocated based on the percentage of direct expense averaged over a two-year period.

Direct Expense (adjusted)

In thousands of dollars

	2023	2024	Average 2023-2024	% of Total	University Services
CAS	\$93,595	\$87,107	\$ 90,351	12.5%	\$ 6,834
CSE	95,634	83,774	89,704	12.4%	6,337
WSOM	47,004	42,040	44,522	6.2%	3,286
MSASS	32,405	31,762	32,084	4.4%	2,259
LAW	40,839	35,836	38,338	5.3%	3,052
DENT	27,052	26,644	26,848	3.7%	2,866
NURS	30,323	29,871	30,097	4.2%	2,699
CSOM	379,999	359,016	369,508	51.2%	28,071
UGEN	-	-	-	0.0%	-
TOTAL	\$746,851	\$696,050	\$721,451	100.0%	\$ 55,404
Unallocated University Services (100% to UGEN)*					47,172
TOTAL UNIVERSITY SERVICES					\$102,576

**Includes 100% of the UGEN Strategic Savings Plan*

HEALTH EDUCATION CAMPUS

Operating Expense budgeted to be incurred for the Health Education Campus (HEC) is purposely not included in the calculated portion of the simplified allocation changes for FY 2026. HEC operating costs included in the overall total for Indirect Expense are budgeted to be \$9.3 million and are concentrated in the Plant, ITS and University Services categories of Indirect Expense.

USE OF RETAINED SURPLUSES

Schools and auxiliaries are permitted to retain the excess of revenue over expense in a reserve account. Expenditures against the reserve account require the approval of the Provost and Chief Financial Officer. As all schools and auxiliaries are expected to operate in a financial equilibrium over the long run, current year losses must be charged against the reserve account